



**Ochsner Clinic Foundation
d/b/a Ochsner Health System
Quarterly Financial Information Disclosure**

**For the Three Months Ended
March 31, 2019**

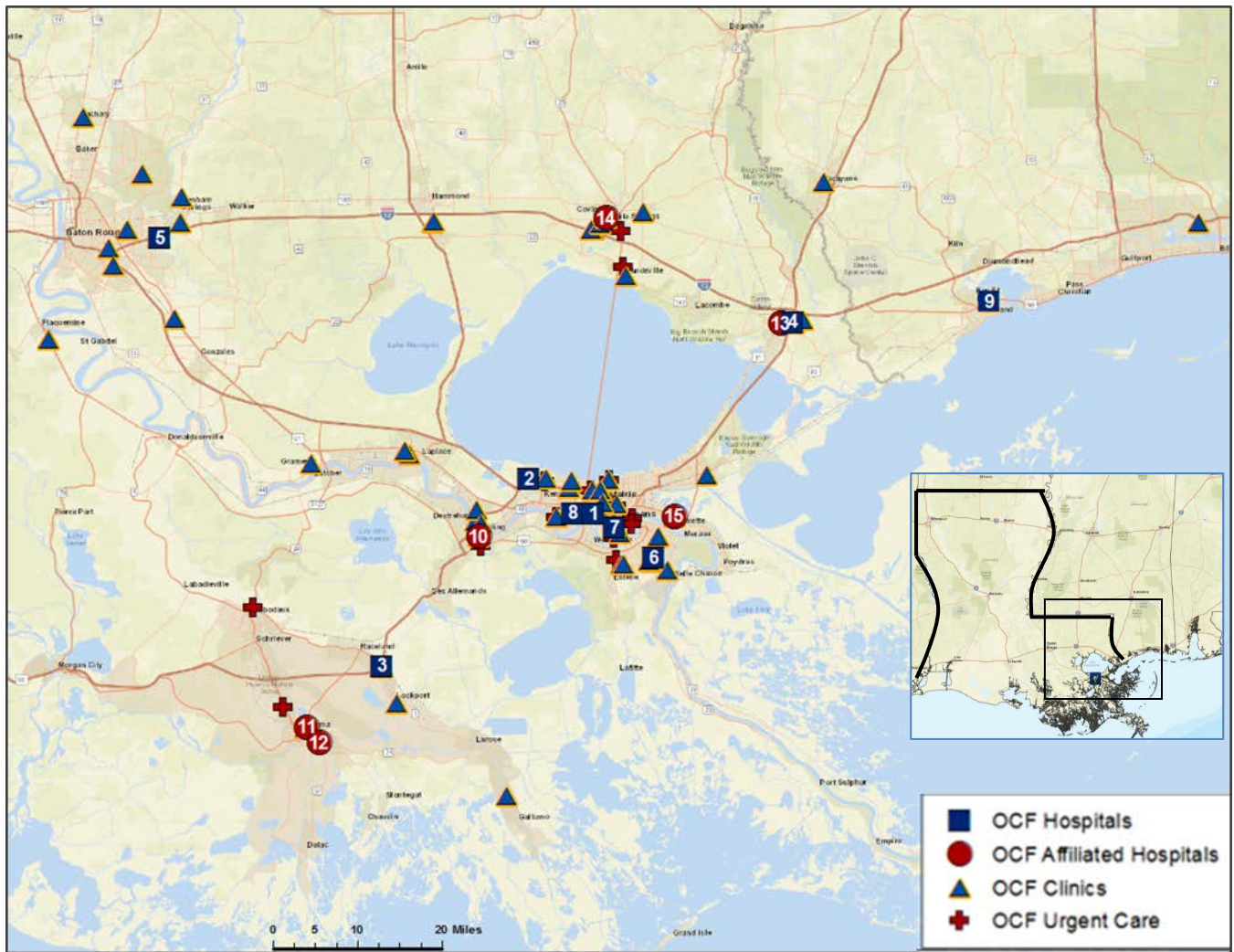
System Overview

Ochsner Clinic Foundation d/b/a Ochsner Health System (“OCF” or “Ochsner”) is a Louisiana-based nonprofit corporation and an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (the “Code”) founded on providing the best patient care, research and education. Ochsner is the largest non-profit, academic, multi-specialty, integrated healthcare delivery system in the Gulf Coast region with nine hospitals, 87 health centers, 15 Urgent Care Clinics and four Occupational Health Clinics. When combined with affiliated hospitals, Ochsner owns, provides management assistance and support, or is affiliated with 31 hospitals. It also employs approximately 1,600 active staff physicians that have 1,400 board certifications in 78 specialties, trains 287 medical residents and fellows annually, has 462 Doctor of Medicine students enrolled in the University of Queensland, Ochsner Clinical School, and is currently conducting over 1,100 clinical research studies. In 2018, more than 811,000 people from all 50 states and more than 70 countries visited Ochsner.

Ochsner is recognized nationally for quality. Awards and recognitions in 2018 include:

- Ochsner Medical Center, Ochsner Baptist, a campus of Ochsner Medical Center, and Ochsner Medical Center – West Bank Campus were ranked among the best hospitals in the country in three medical specialties, according to *U.S. News and World Report’s* 2018-19 Best Hospitals rankings. Ochsner Medical Center, Ochsner Baptist and Ochsner Medical Center – West Bank Campus were also ranked #1 among the best hospitals in Louisiana and #1 among the best hospitals in the New Orleans metro area as well as being recognized among the Best Hospitals in Southeastern Louisiana.
- Ochsner Medical Center, Ochsner Baptist and Ochsner Medical Center – West Bank Campus have received the 2018 Distinguished Hospital Award for Clinical Excellence™ from Healthgrades.
- Ochsner Medical Center, Ochsner Baptist, Ochsner Medical Center – West Bank Campus, Ochsner Medical Center Kenner, Ochsner Medical Center – Baton Rouge and Leonard J. Chabert Medical Center have been recognized for Five-star ratings, Specialty Excellence Awards and are among the top 5 and 10% in the nation by the Healthgrades 2018 Report to the Nation.
- Ochsner Medical Center was named to the IBM Watson Health’s 100 Top Hospitals® award list, formerly known as the Truven Health Analytics® 100 Top Hospitals, as one of the top U.S. Major Teaching Hospitals.
- Ochsner Medical Center - Baton Rouge was named as one of the top Medium Community Hospitals for the 2018 100 Top Hospitals® Award by Truven Health Analytics.
- *Becker’s Hospital Review* recognized Ochsner Medical Center as one of the “100 Great Hospitals in America” for 2018. This is the seventh consecutive year that Ochsner Medical has been recognized with this award and is the only Louisiana hospital named to this list.
- *Becker’s Hospital Review* recognized Ochsner Medical Center-Baton Rouge as one of the “100 Great Community Hospitals in America” for 2018.
- Ochsner Hospital for Children was ranked among the top 50 children’s hospitals in the country for pediatric gastroenterology and gastrointestinal surgery specialties in the new 2018-19 *U.S. News and World Reports* Best Children’s Hospitals rankings.
- Eleven Ochsner Facilities received an “A” Grade for Patient Safety from the 2018 Leapfrog Group.
- Ochsner Medical Center was awarded Magnet Designation status by the American Nurses Credentialing Center four consecutive times.

The following map indicates the locations of Ochsner’s acute care hospitals and health centers. See “Health Care Operations of the Credit Group – Facilities” herein for more information regarding Ochsner’s health care facilities.



Ochsner Clinic Foundation Hospitals

Ochsner Medical Center (1)	Ochsner Medical Center-Kenner (2)	Ochsner St. Anne Hospital (3)
Ochsner Medical Center-North Shore (4)	Ochsner Medical Center-Baton Rouge (5)	Ochsner Medical Center-West Bank (6)
Ochsner Baptist Medical Center (7)	Ochsner Elmwood Hospital (8)	Ochsner Medical Center-Hancock (9)

Ochsner Clinic Foundation Affiliate Hospitals

St. Charles Parish Hospital (10)	Terrebonne General Medical Center (11)	Leonard J. Chabert Medical Center (12)
Slidell Memorial Hospital (13)	St. Tammany Parish Hospital (14)	St. Bernard Parish Hospital (15)

* Ochsner-LSU Health’s two hospitals in Shreveport and Monroe, Lafayette General Health’s seven hospitals, CHRISTUS Health Louisiana’s seven hospitals (incl. CHRISTUS Ochsner St Patrick Hospital and CHRISTUS Ochsner Lake Area Hospital) are excluded from map as each is located outside of the Service Area as hereinafter defined.

Forward-Looking Information:

This Financial Information Disclosure contains disclosures, which contain “forward-looking statements” within the meaning of the Federal securities laws. Forward-looking statements include all statements that do not relate solely to historical or current fact and can be identified by the use of words “expect”, “anticipate”, “intend”, “project”, “likely”, “may”, “might”, “estimate”, “budget” and similar words or expressions. These forward-looking statements are based on the current plans and expectations of Ochsner Clinic Foundation d/b/a Ochsner Health System (“OCF” or “Ochsner”) as of the date of this report and are subject to a number of known and unknown risks and uncertainties inherent in the operation of health care facilities, many of which are beyond OCF's control, that could significantly affect current plans and expectations and OCF's future financial position and results of operations.

Important factors that could cause results to differ materially from those expected by management include, but are not limited to, general, economic and business, competition from other healthcare facilities in the service areas, an unfavorable pricing environment, inability to achieve expected efficiencies in operations or effectively control health care costs, the efforts of insurers and others to contain health care costs, changes in Medicare or Medicaid reimbursement formulas, the risk that managed care provider arrangements will not be negotiated or renewed on acceptable terms, future divestitures or acquisitions which may have a financial impact, availability and terms of capital to fund future expansion and ongoing capital needs, new laws or regulations, the possible enactment of federal or state health care reform, fines or penalties related to regulatory matters, changes in accounting standards and practices, the outcome of pending and future litigation and government investigations, labor issues and the ability to attract and retain qualified management and other personnel, including physicians, nurses and medical support personnel.

Given these uncertainties, bondholders and prospective bondholders are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report. OCF disclaims any obligation, and makes no promise, to update any such factors or forward-looking statements or to disclose any facts, events or circumstances after the date hereof that may affect the accuracy of any forward-looking statements, whether as a result of changes in underlying factors, to reflect new information, as a result of the occurrence of events or developments or otherwise.

Description of Credit Group

Ochsner's history began when the Ochsner Clinic opened its doors to patients on January 2, 1942 as a physician practice. Alton Ochsner Medical Foundation ("AOMF"), a Louisiana not for profit corporation exempt from taxation under Section 501(c)(3) of the IRS Code, was founded on January 21, 1944 to own and operate Ochsner Foundation Hospital. On August 31, 2001, Ochsner Clinic merged with a wholly-owned subsidiary of AOMF and Ochsner Clinic became a wholly-owned subsidiary of AOMF. As part of the acquisition of Ochsner Clinic, AOMF changed its name to Ochsner Clinic Foundation ("OCF"). Ochsner Community Hospitals ("OCH") and Ochsner Health System ("OHS"), each a Louisiana not for profit corporation exempt from taxation under Section 501(c)(3) of the IRS code, were formed in July 2006. OCH was formed for the purpose of acquiring certain medical facilities from Tenet Healthcare Corporation, and OHS was formed to be the parent company and sole corporate member of OCF and OCH. Effective December 31, 2016, OCH was merged with and into OCF, with OCF continuing as the surviving entity. Effective December 31, 2017, OHS was merged with and into OCF, with OCF continuing as the surviving entity. Ochsner Clinic Foundation still operates under the trade name of Ochsner Health System. All references to "Ochsner," "Ochsner Health System," "OCF," or "OHS" hereinafter refer to Ochsner Clinic Foundation.

OCF is the only Obligated Group Member under the Master Indenture. Certain affiliates of OCF have been designated as Designated Affiliates and Credit Group Members under the Master Indenture. Credit Group or Credit Group Members means all Obligated Group Members and Designated Affiliates. Under the Master Indenture, Obligated Group Members are jointly and severally liable to make payments with respect to Obligations issued under the Master Indenture. Designated Affiliates are not obligated to make payments with respect to Obligations but may be required to transfer to Obligated Group Members, to the extent legally available, amounts necessary to enable the Obligated Group Members to make payments under the Master Indenture. Obligated Group Members may designate entities as Designated Affiliates under the Master Indenture and may rescind such designation at any time. Designated Affiliates have not changed since the 2017 Official Statement dated May 11, 2017. OCF and Designated Affiliates constituted 95.8% of the total assets of OCF Consolidated as of March 31, 2019 and 98.6% of the total revenue of OCF Consolidated for the three months ended March 31, 2019.

Obligated Group Member

OCF is the only Obligated Group Member under the Master Indenture. OCF is headquartered in New Orleans, Louisiana, and, either directly or through its fully owned affiliates or subsidiaries, owns and operates seven hospitals and other healthcare facilities, including:

- OMC, a 684-bed acute care hospital located in New Orleans, Louisiana, which serves as the flagship of Ochsner, and includes an 11-story clinic building, a 134-room hotel and related medical facilities located on a main campus in Jefferson Parish at the western end of New Orleans;
- Ochsner Elmwood Hospital, a satellite hospital of OMC, located in Elmwood, Louisiana, which primarily provides outpatient services;
- Ochsner Medical Center – West Bank Campus, a 165-bed acute care satellite hospital of OMC in New Orleans, Louisiana,
- Ochsner Baptist Medical Center, a 139-bed acute care satellite hospital of OMC in New Orleans, Louisiana.
- Ochsner Medical Center - Kenner, a 110-bed acute care hospital in Kenner, Louisiana;
- Ochsner Medical Center – Baton Rouge, a 152-bed acute care hospital in Baton Rouge, Louisiana;
- Ochsner Medical Center – North Shore, a 168-bed acute care hospital in Slidell, Louisiana;
- 87 health centers throughout southeast Louisiana and Mississippi;
- 15 Urgent Care Clinics and four Occupational Health Clinics throughout Greater New Orleans; and,
- Several fitness centers that operate as Ochsner Fitness Center.

OCF, through its fully owned subsidiaries, operates two hospitals:

- Ochsner St. Anne Hospital, a 35-bed acute care hospital in Raceland, Louisiana, and
- Ochsner Medical Center - Hancock, a 102-bed acute care hospital in Bay St. Louis, Mississippi.

OCF, either directly or through its fully owned affiliates or subsidiaries, provides management assistance and support to five hospitals:

- Leonard J. Chabert Medical Center (“LJCMC”), a 156-bed public, safety net hospital in Houma, Louisiana;
- St. Charles Parish Hospital (“SCPH”), a 59-bed public, safety net hospital in Luling, Louisiana;
- St. Bernard Parish Hospital (“SBPH”), a 40-bed public, safety net hospital in Chalmette, Louisiana.
- Ochsner LSU Health System of North Louisiana (“OLHS-NL”), which includes a 452 bed hospital in Shreveport, Louisiana, a 244 bed hospital in Monroe, Louisiana and healthcare operations in Shreveport, Louisiana and Monroe, Louisiana.

OCF also has joint operating agreements with three hospitals:

- Terrebonne General Medical Center (“TGMC”), a 321-bed acute care hospital in Houma, Louisiana;
- St. Tammany Parish Hospital (“STPH”), a 232-bed acute care hospital in Covington, Louisiana;
- Slidell Memorial Hospital (“SMH”), a 229-bed public acute care hospital in Slidell, Louisiana

OCF also entered into strategic partnerships to create clinical affiliations with Lafayette General Health and CHRISTUS Health Louisiana.

In recent years, OCF has entered into several strategic partnerships, affiliation agreements, and acquisitions that increase local access to care, improve quality, reduce the cost of healthcare, and share best practices and resources in order to improve the health of Louisiana communities. Agreements completed in 2018 are as follows:

- Louisiana State University. Effective October 1, 2018, OCF entered into management agreement with a newly formed nonprofit entity Ochsner LSU Health System of North Louisiana to provide management services, billing and collection services and administrative support for certain hospital and healthcare operations in Shreveport and Monroe. OCF and the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (“LSU”) formed OLHS-NL to assume overall responsibility for the operations and clinical activities of the former University Health hospitals and clinics in Shreveport and Monroe and coordinate the activities between LSU Medical School, the parties’ physicians, and the healthcare operations in Shreveport and Monroe. OLHS-NL is a standalone nonprofit organization and is not a subsidiary of either LSU or OCF. OLHS-NL’s Bylaws require that LSU and OCF each appoint an equal number of directors to the OLHS-NL Board to oversee, coordinate, and manage OLHS-NL’s activities. In conjunction with the management agreement of OLHS-NL, Ochsner acquired the EHR licenses and related liabilities, and hired the Information Services (IS) employees of OLHS-NL in exchange for a note payable of approximately \$6.2 million to the Biomedical Research Foundation on October 1, 2018. With this acquisition, Ochsner fully manages the IS function of OLHS-NL.
- CHRISTUS Health. In March 2018, Ochsner signed a membership interest purchase agreement with CHRISTUS Health (“CHRISTUS”) to acquire a 40% minority ownership interest in CHRISTUS Health Southwestern Louisiana (“SWLA”) in exchange for cash of \$35 million and a promissory note of \$27.8 million. SWLA owns and operates healthcare facilities and operations related to physician practices in Lake Charles, Louisiana, including CHRISTUS St. Patrick Hospital, CHRISTUS Lake Area Medical Center and various clinical facilities. CHRISTUS St. Patrick Hospital is a 50-bed hospital and CHRISTUS Lake Area Medical Center is an 88-bed, full-service acute care hospital in Lake Charles, Louisiana. This agreement was finalized September 1, 2018 once regulatory approval was received. CHRISTUS Health manages the hospitals, CHRISTUS St. Patrick, and CHRISTUS Lake Area Medical Center. Ochsner manages all physician and clinic operations.
- Hancock Medical Center. On April 1, 2018, OCF, through a wholly-owned subsidiary, closed an agreement with the Hancock County Board of Supervisors to operate Hancock Medical Center, a 102-bed acute care hospital, under a 25-year lease agreement, and OCF will own the property at the end of the lease term. This lease expands upon the strategic partnership the two organizations created in 2013 through a management agreement under which Ochsner managed Hancock Medical Center. As part of this transaction, OCF acquired

the current assets, liabilities and provider number of Hancock. The hospital was renamed Ochsner Medical Center - Hancock.

- **Select Medical Corporation.** On June 15, 2015, Ochsner entered into a joint venture, OSR Louisiana, LLC, with Pennsylvania-based Select Medical Corporation to open a new \$35 million, 60-bed acute inpatient rehabilitation hospital. The facility began operations during the second quarter of 2018.

Governance

Following the expiration of their current terms on December 31, 2018, OCF announced the departures of Thomas Davis (Duncan), George Loss, MD and Leonardo Seane, MD from the Board of Directors. On February 25, 2019, OCF announced the following three members elected to the Board of Directors:

John A. Evans, Rehab Partners, Inc (Retired), has over four decades of healthcare experience. He is currently retired as a Physical Therapist; but, remains an active partner in several healthcare and non-healthcare business ventures. Mr. Evans serves on many Boards including, the American Bank and Statewide Bank; the West St. Tammany Chamber of Commerce; and was a founding member of the Board of St. Tammany Parish Hospital, where he continues to serve as Chairman.

Cuong “CJ” Bui, MD, serves as Chairman of the Department of Neurosurgery. He completed his neurosurgical training at SUNY- Upstate Medical Center in Syracuse and his fellowship training in pediatric neurosurgery from University of Alabama Children’s Hospital in Birmingham.

William “David” Sumrall, III MD, serves as Associate Medical Director, Surgical Services and System Chair, Anesthesiology & Interventional Pain Medicine. He is board certified in Anesthesiology.

Executive Leadership

Jennifer Bollinger, Senior Vice President of Consumer Strategy. Beginning January 2, 2019, Jennifer was appointed Senior Vice President of Consumer Strategy focused on developing actionable insights based on patient behavior and expectations. She and her team consistently support core teams across the organization to develop new capabilities that enhance access, care navigation, service excellence and to build new digital connectivity along the patient journey. After joining the organization in 2012, Jennifer served as the Vice President of Corporate Communications & Public Relations until 2018. In that role, she oversaw the teams responsible for the system's comprehensive internal and external messaging. Prior to joining Ochsner, Jennifer led strategy at several marketing and communications agencies for more than 20 years including Zehnder Communications, The Netcom Group, Keating Magee Advertising, Berger & Reed Advertising and Fitzgerald Advertising. She is a member of the Executive Summit of the American Hospital Association and has been named to the Power Generation and as a Woman of the Year by CityBusiness Magazine and selected as one of Gambit Magazine's 40 Under 40 in New Orleans. A native of Washington D.C., Jennifer made New Orleans home after graduating from the A.B. Freeman School of Business at Tulane University.

Management Discussion and Analysis of Financial Results

Executive Summary:

OCF had Income from Operations of \$13.3 million (1.5% of Total Unrestricted Revenues) for the first three months of 2019 compared to \$12.7 million (1.6% of Total Unrestricted Revenues) for the first three months of 2018, a \$0.6 million increase. Operating EBITDA was \$61.3 million (6.9% of Total Unrestricted Revenues) for the first three months of 2019 compared to \$59.0 million (7.6% of Total Unrestricted Revenues) for the first three months of 2018, a \$2.3 million increase.

OCF retrospectively adopted Accounting Standards Update (ASU) 2017-07, *Compensation – Retirement Benefits (Topic 715)* on January 1, 2019, which requires that an employer report the service cost component in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. It also requires the other components of net periodic pension costs and net periodic postretirement benefits cost to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. For more information, please see Note A of the Consolidated Statements of Operations.

OCF adopted ASU 2016-02, *Leases (Topic 842)* on January 1, 2019, which requires companies that lease assets to recognize a right-of-use assets and a lease liability, initially measured at the present value of the lease payments, on the balance sheet. For more information, please see Note B of the Consolidated Balance Sheets.

Statement of Operations:

OCF achieved Total Unrestricted Revenues of approximately \$886.0 million for the first three months of 2019, an increase of \$105.5 million or 13.5% over the first three months of 2018 primarily due to organic growth as well as an increase in patients referred from affiliates and outlying facilities. Patient Service Revenue increased \$51.8 million or 8.7%. Premium Revenue increased \$5.3 million. When comparing the first three months of 2019 to the first three months of 2018, discharges increased less than 1.0%, patient days increased 5.1%, inpatient surgical procedures increased 3.8%, outpatient surgical procedures increased 9.0%, emergency room visits increased 23.3%, clinic relative value units increased 12.7%, clinic visits increased 11.4%, and unique clinic patient visits increased 11.1%. Revenue received from any of OCF's managed or affiliated hospitals is not included within Patient Service Revenue.

Other Operating Revenue for the first three months of 2019 was \$150.6 million, a \$47.9 million increase over the first three months of 2018. Other Operating Revenue for the first three months of 2019 includes a \$16.1 million increase in pharmacy revenue. Other Operating Revenue includes \$39.5 million in the first three months of 2019 and \$10.8 million in the first three months of 2018 of revenue related to management agreements and joint operating agreements. This \$28.7 million increase is mainly due to an increase in management fees for LJC MC and the new management agreement of OLHS-NL.

Salaries and Wages for the first three months of 2019 were \$400.4 million, a \$46.5 million increase over the first three months of 2018. This increase is partially related to additional staffing and additional providers needed to meet increased patient demand. Total providers increased by 10.2% or 163 full-time equivalents ("FTEs"). That includes an 8.5% increase in physicians, or 88 FTEs, and a 13.3% increase in the number of other providers, or 75 FTEs. Ochsner employs approximately 1,600 active staff physicians and over 700 Other Providers. This increase is also due to the addition of FTEs associated with OCF's operation of Ochsner Medical Center – Hancock, management of the SWLA physician and clinic operations, and hiring of the OLHS-NL IS employees.

Medical Services to Outside Providers expense for the first three months of 2019 increased by \$1.7 million from the first three months of 2018. OCF currently provides services to approximately 35,000 senior members under a capitation contract for both physician and hospital services.

Medical Supplies and Services increased by \$30.5 million when comparing the first three months of 2019 to the first three months of 2018. Medical Supplies and Services as a percentage of Total Unrestricted Revenues was 20.3% for the first three months of 2019 and 19.1% for the first three months of 2018. Approximately \$15.6 million of the

increase is due to increased drug expenses primarily due to an increased volume of infusion drugs and retail pharmacy. Approximately \$7.1 million of the increase is related to medical supplies due to an increase in volume.

Other operating expenses which includes building and equipment, insurance, professional services and general and administrative expenses for the first three months of 2019 increased by \$19.6 million over the first three months of 2018. Approximately \$3.8 million of the increase is related to software expense associated with clinical system implementations and upgrades, as well as software expenses associated with Ochsner's partners.

OCF had net non-operating gains of \$46.2 million for the first three months of 2019 and net non-operating losses of \$0.7 million for the first three months of 2018. Non-operating gains and losses include realized gains and losses, as well as changes in the market value of the pooled investment portfolio, and losses on the early extinguishment of debt.

Ratings

In conjunction with the 2017 Official Statement dated May 11, 2017, Fitch Ratings has provided a rating for the Bonds of A- with a stable outlook and Moody's Investors Service, Inc. provided a rating for the Bonds of A3 with a stable outlook. On September 6, 2018, Moody's Investors Service, Inc. affirmed its rating for the Bonds of A3 with a stable outlook. On April 30, 2019, S&P Global Ratings assigned an Issuer Credit Rating of A with a stable outlook.

Liquidity and Cash Position

At March 31, 2019, OCF had unrestricted cash and investments of \$927.6 million which equates to 101 days cash on hand. Cash and Investments increased by \$42.4 million from \$885.2 million or 102 days cash on hand at December 31, 2018. A 1-day reduction in days cash on hand includes a 5 day increase due to the increase in cash and a 6-day reduction due to the increase in expense per day. Operating EBIDA for the first three months of 2019 was \$61.1 million. Cash decreased due to \$50.1 million of capital expenditures. Other uses of Cash include a \$13.7 million increase in Patients Accounts Receivable, a \$17.6 million increase in Other Receivables, a \$9.7 million decrease in Accounts Payable and \$30.1 million of other changes to working capital. A source of cash includes a \$56.3 million increase in Accrued Salaries, Wages and Benefits primarily due to the timing of bi-weekly payrolls. Investments increased \$46.2 million related to the Pooled Investment Portfolio. As of March 31, 2019, OCF had \$89.0 million of donor restricted investments.

Cash and Investments; Days Cash on Hand

The table below includes Cash and Investments and Days Cash on Hand. Dollar amounts are in thousands.

	Cash and Investments		Days Cash on Hand	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Monthly Liquidity	\$ 731,563	\$ 700,787	80	81
Liquidity greater than 30 days and less than one year	182,171	169,480	19	19
Locked Up (liquidity one year or more)	13,881	14,909	2	2
Total	<u>\$ 927,615</u>	<u>\$ 885,176</u>	<u>101</u>	<u>102</u>

Debt

As of March 31, 2019 and December 31, 2018, OCF had \$1.3 billion in total long-term debt outstanding.

Series	Par Amt O/S	Final Maturity	Interest Mode
OCHSNER CLINIC FOUNDATION			
Series 2015 Taxable New Money	252,820,000	5/15/2045	Fixed
Series 2015 Tax Exempt Refunding	108,680,000	5/15/2047	Fixed
Series 2016	154,060,000	5/15/2047	Fixed
Series 2017 New Money	160,645,000	5/15/2046	Fixed
Series 2017 Tax Exempt Refunding	260,910,000	5/15/2042	Fixed
March 2013 Note Payable ⁽¹⁾	5,525,985	3/31/2033	Fixed
December 2013 Note Payable ⁽¹⁾	46,308,218	12/31/2028	Fixed
July 2014 Note Payable ⁽¹⁾	68,096,653	8/15/2034	Fixed
December 2013 Promissory Note	10,029,166	12/30/2020	Variable ⁽³⁾
October 2014 Promissory Note	15,766,667	10/31/2021	Fixed
September 2015 Promissory Note	20,250,000	9/30/2022	Variable ⁽³⁾
September 2018 Promissory Note	27,423,636	9/1/2023	Fixed
October 2018 Promissory Note	5,278,456	9/30/2021	Fixed ⁽³⁾
2006 Working Capital Note ⁽²⁾	8,952,090	5/1/2026	Variable
Software and Equipment Loans ⁽²⁾	125,003	N/A	N/A
Financing Lease Obligations ⁽²⁾⁽⁴⁾	<u>163,189,232</u>	N/A	N/A
SUBTOTAL	1,308,060,105		

Note:

(1) Not an obligation of a credit group member or a supplemental obligation of the Master Indenture.

(2) Not secured by an Obligation issued under the Master Indenture.

(3) Interest on this loan has been fixed through an interest rate swap agreement.

(4) Excludes operating lease liabilities.

Ochsner Clinic Foundation and Subsidiaries
Consolidated Statements of Operations
For the Three Months Ended March 31, 2019 and 2018
(\$ In Thousands)

	Unaudited		
	2019	2018 ^A	Difference
Unrestricted revenues:			
Patient service revenue	649,707	597,874	51,833
Premium revenue	84,397	79,076	5,321
Other operating revenue	150,578	102,699	47,879
Net assets released from restriction used for operations	1,352	882	470
Total unrestricted revenues	886,034	780,531	105,503
Expenses:			
Salaries and wages	400,444	353,989	46,455
Benefits	47,103	42,053	5,050
Medical services to outside providers	38,969	37,283	1,686
Medical supplies and services	179,890	149,439	30,451
Other operating expenses	158,558	138,956	19,602
Depreciation and amortization	34,237	33,846	391
Interest	13,548	12,312	1,236
Total expenses	872,749	767,878	104,871
Income from operations	13,285	12,653	632
Non-operating gains (losses):			
Investment and other realized gains - net	5,451	7,920	(2,469)
Pension service costs	-	366	(366)
Unrealized gains (losses) on investments - net	40,777	(8,981)	49,758
Total non-operating gains (losses)	46,228	(695)	46,923
Excess of revenues over expenses	<u>\$ 59,513</u>	<u>\$ 11,958</u>	<u>\$ 47,555</u>

Note A: In March 2017, the FASB issued ASU2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments in ASU 2017-07 require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. It also requires the other components of net periodic pension cost and net periodic postretirement benefit cost to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The provisions of ASU 2017-07 are effective for Ochsner for the fiscal year ending December 31, 2019, and for interim periods starting January 1, 2020, and early adoption is permitted. Ochsner adopted this pronouncement retrospectively effective January 1, 2019. As a result of this adoption, approximately \$4.9 million of net periodic pension benefit will be reclassified out of income from operations for 2018. For the first quarter of 2018, approximately \$366,000 was reclassified from benefit expense into pension service costs as non-operating income.

Ochsner Clinic Foundation and Subsidiaries
Consolidated Balance Sheets
As of March 31, 2019 and December 31, 2018
(\$ In Thousands)

	(Unaudited) <u>March 31, 2019</u>	<u>December 31, 2018</u> ^B
Assets		
Current assets:		
Cash and cash equivalents	138,661	137,604
Assets limited as to use, required for current liabilities	7,630	7,630
Patient accounts receivable, net	285,022	271,331
Other receivables	166,802	149,190
Inventories	69,807	69,757
Prepaid expenses and other current assets	53,477	40,814
Estimated third-party payor settlements	31,048	27,448
Total current assets	<u>752,447</u>	<u>703,774</u>
Assets limited as to use:		
By Board for capital improvements, charity, research, and other	788,954	747,572
Under bond indenture agreements	14	-
Under self-insurance trust fund	13,821	10,024
Donor-restricted long-term investments	88,987	82,010
Total assets limited as to use	<u>891,776</u>	<u>839,606</u>
Less assets limited as to use, required for current liabilities	<u>(7,630)</u>	<u>(7,630)</u>
Non-current assets limited as to use	884,146	831,976
Investments in unconsolidated affiliates, real estate, and other	82,166	83,409
Property, net	1,180,131	1,171,795
Right of use assets from operating leases	213,977	-
Goodwill	72,411	72,411
Intangible assets	11,473	11,477
Other assets	43,858	50,167
Total assets	<u>\$ 3,240,609</u>	<u>\$ 2,925,009</u>

Ochsner Clinic Foundation and Subsidiaries
Consolidated Balance Sheets
As of March 31, 2019 and December 31, 2018
(\$ In Thousands)

	(Unaudited) <u>March 31, 2019</u>	<u>December 31, 2018</u> ^B
Liabilities and net assets		
Current liabilities:		
Accounts payable	169,797	205,582
Accrued salaries, wages, and benefits	246,634	190,359
Deferred revenue	40,341	39,476
Estimated third-party payor settlements	5,470	5,079
Notes payable, current	52,430	52,430
Long-term debt and bonds payable, current portion	19,760	19,666
Operating lease current liabilities	33,836	-
Other current liabilities	48,836	43,230
Total current liabilities	<u>617,104</u>	<u>555,822</u>
Pension and postretirement obligations	140,531	141,993
Bonds payable	980,371	980,831
Long-term debt	189,821	193,672
Operating lease long-term liabilities	190,301	-
Other long-term liabilities	126,054	118,094
Total liabilities	<u>2,244,182</u>	<u>1,990,412</u>
Net assets:		
Without donor restrictions	880,436	820,414
With donor restrictions	115,991	114,183
Total net assets	<u>996,427</u>	<u>934,597</u>
Total liabilities and net assets	<u>\$ 3,240,609</u>	<u>\$ 2,925,009</u>

Note B: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires companies that lease assets to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on their balance sheet. The provisions of ASU 2016-02 are effective for Ochsner starting January 1, 2019, including interim periods within that reporting period, and are being applied using a modified retrospective approach. As a result of adopting this ASU, operating lease assets and liabilities are shown separately above within the following financial statement line items: Right of use assets from operating leases, Operating lease current liabilities, and Operating lease long-term liabilities. Financing lease assets are \$104.2 million and are included within Property, net above. Current financing lease liabilities are \$9.1 million and are included within Other current liabilities above. Non-current financing lease liabilities are \$98.1 million and are included within Other long-term liabilities above.

Ochsner Clinic Foundation
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2019 and 2018
(In Thousands)

	Unaudited	
	2019	2018
<u>Cash Flows from Operating Activities:</u>		
Increase in net assets	\$ 61,830	\$ 12,057
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,237	33,846
Loss from equity-method investments, net of cash received	1,352	350
Net realized and unrealized (gains) losses on investments	(48,623)	1,705
Other reconciling items, net	752	(473)
Changes in operating assets and liabilities, net of acquisitions:		
Patient accounts receivable	(13,691)	(20,136)
Other current and noncurrent assets	(27,625)	(20,939)
Accounts payable	(9,704)	(8,166)
Accrued expenses and other liabilities	62,850	76,807
Net cash provided by operating activities	<u>61,378</u>	<u>75,051</u>
<u>Cash Flows from Investing Activities:</u>		
Purchases of assets whose use is limited and other investments	(21,108)	(98,394)
Sales and maturities of assets whose use is limited and other investments	17,561	87,074
Capital expenditures	(50,080)	(58,498)
Acquisitions of businesses	-	(1,357)
Other	351	13
Net cash used in investing activities	<u>(53,276)</u>	<u>(71,162)</u>
<u>Cash Flows from Financing Activities:</u>		
Repayment of bonds payable and long-term debt	(3,844)	(3,286)
Payments on capital lease obligations	(3,221)	(3,037)
Proceeds from contributions restricted for long-term investments	20	193
Net cash used in financing activities	<u>(7,045)</u>	<u>(6,130)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,057</u>	<u>(2,241)</u>
Cash and Cash Equivalents, Beginning of Year	137,604	186,401
Cash and Cash Equivalents, End of Year	<u>\$ 138,661</u>	<u>\$ 184,160</u>

OCHSNER CLINIC FOUNDATION UTILIZATION STATISTICS

	2016	2017	2018	Mar 2018 YTD	Mar 2019 YTD
Licensed Beds (1)	1,284	1,388	1,556	1,388	1,555
Average Number of Beds in Use (2)	1,372	1,365	1,527	1,374	1,538
Discharges Including Newborn	67,454	70,052	69,861	17,336	17,455
Discharges Excluding Newborn	61,341	63,597	63,329	15,831	15,843
Patient Days Including Newborn	326,145	342,561	343,507	86,359	90,734
Patient Days Excluding Newborn	312,349	327,929	328,927	82,982	87,231
Average Daily Census (3)	853	898	903	922	969
Percent Occupancy (3)	62.20%	65.79%	59.16%	67.10%	63.02%
Average Length of Stay	4.8	4.9	4.9	5.0	5.2
Adjusted Patient Days (3)	659,409	699,547	739,904	179,614	197,786
Clinic Visits (4)	1,823,527	2,012,588	2,243,621	555,909	619,026
Clinic RVUs	6,050,375	6,584,475	7,226,658	1,734,992	1,955,892
Unique Clinic Patients (5)	446,515	513,328	573,754	524,240	582,206
Employed Physician FTEs	924	995	1,080	1,040.8	1,129
Transfers through Regional Referral Center	10,201	10,691	11,173	2,740	2,729

	Ochsner Medical Center	OMC West Bank	Ochsner St. Anne	OMC Baton Rouge	OMC North Shore	OMC Kenner	Ochsner Baptist Med. Ctr.	OMC Hancock	TOTAL
Licensed Beds (1)	684	165	35	152	168	110	139	102	1,555
Average Number of Beds in Use (2)	684	181	35	159	168	110	154	47	1,538
Discharges Including Newborn	6,747	2,133	500	1,933	1,213	1,941	2,700	288	17,455
Discharges Excluding Newborn	6,747	1,862	405	1,669	1,213	1,698	1,994	255	15,843
Patient Days Including Newborn	46,007	9,295	1,758	7,228	5,987	7,375	12,166	918	90,734
Patient Days Excluding Newborn	46,007	8,684	1,588	6,673	5,987	6,824	10,610	858	87,231
Average Daily Census (3)	511	96	18	74	67	76	118	10	969
Percent Occupancy (3)	74.74%	53.31%	50.41%	46.63%	39.60%	68.93%	76.55%	20.28%	63.02%
Average Length of Stay	6.8	4.4	3.5	3.7	4.9	3.8	4.5	3.2	5.2
Adjusted Patient Days (3)	87,185	20,907	8,721	23,541	11,528	18,697	23,166	4,042	197,786

(1) Data excludes NICU and Nursery Beds.

(2) Data excludes Nursery beds, but includes NICU beds, a large number of beds in use will yield an amount greater than the number of licensed beds.

(3) Data excludes Normal Newborn Days.

(4) Data includes physician visits and resident visits. 2016 was restated to conform to the 2017 presentation.

(5) Data includes the numbers of patients seen in a 12 months rolling period.

**OCHSNER CLINIC FOUNDATION GROSS REVENUE BY PAYOR
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

Payor Groupings	3/31/2018	3/31/2019
Commercial	32%	31%
Managed Medicare	25%	27%
Medicare	21%	20%
Medicaid	18%	18%
Guarantor / Patients / Other	4%	4%
TOTAL	100%	100%